

**FILED**

**AUG 16 2016**

**SECRETARY, BOARD OF  
OIL, GAS & MINING**

**BEFORE THE BOARD OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF AXIA ENERGY II, LLC FOR AN ORDER MODIFYING THE BOARD'S ORDERS ENTERED IN CAUSE NOS. 131-14, 139-42, 139-90 TO ESTABLISH 1,280-ACRE (OR SUBSTANTIAL EQUIVALENT) DRILLING UNITS FOR THE PRODUCTION OF OIL, GAS AND ASSOCIATED HYDROCARBONS FROM THE LOWER GREEN RIVER-WASATCH (COLTON) FORMATIONS, COMPRISED OF SECTIONS 25 THROUGH 36 OF TOWNSHIP 2 SOUTH, RANGE 2 WEST, USM AND SECTIONS 25 THROUGH 28 AND 33 THROUGH 36, OF TOWNSHIP 2 SOUTH, RANGE 3 WEST, USM, ALL IN DUCHESNE COUNTY, UTAH.

**AMENDED AND RESTATED  
REQUEST FOR AGENCY ACTION**

Docket No. 2016-018

Cause No. 139-140

COMES NOW, Axia Energy, II, LLC ("Axia"), acting by and through its attorneys, Beatty & Wozniak, P.C., and pursuant to Utah Code Ann. §§40-6-5(3)(b) and 40-6-6, and hereby respectfully requests the Board of Oil, Gas and Mining (the "Board") to enter an order modifying the Board's Orders entered on August 11, 1971 in Cause No. 131-14 (the "131-14 Order"), entered on April 17, 1985 in Cause No. 139-42 (the "139-42 Order"), and entered on May 9, 2012 in Cause No. 139-90 (the "139-90 Order") (the 131-14, 139-42 and 139-90 Orders collectively hereinafter sometimes referred to as the "Applicable Orders"). Specifically, Axia seeks establishment of ten (10), 1,280-acre (or substantial equivalent) drilling units for the production of oil, gas and hydrocarbons from the Lower Green River-Wasatch (Colton) formations, defined as follows:

the interval from the top of the Lower Green River Formation (Mahogany Marker Bed) to the base of the Green River-Wasatch or top of the North Horn Formation, the stratigraphic equivalent of which is defined as between 7,212 feet and 13,651 feet as shown in the Borehole Compensated Sonic-Gamma Ray Log of the Flying J – Dustin #1 Well located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 22, Township 2 South, Range 3 West, U.S.M., and as between 6,555 feet and 12,392 feet as shown on the Digital Sonic Log of the Devon – 1-26B1 Well located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 26, Township 2 South, Range 1 West, U.S.M.

(the “Subject Formations”), comprised of the following respective Duchesne County, Utah lands:

Township 2 South, Range 2 West, USM

Sections 25 and 36  
Sections 26 and 35  
Sections 27 and 34  
Sections 28 and 33  
Sections 29 and 32  
Sections 30 and 31

Township 2 South, Range 3 West, USM

Sections 25 and 36  
Sections 26 and 35  
Sections 27 and 34  
Sections 28 and 33  
or  
Sections 25 and 26  
Sections 27 and 28  
Sections 33 and 34  
Sections 35 and 36

(the “Subject Lands”), with the following caveats:

- a) Authorizing up to 32 wells per drilling unit, which may be any combination of long lateral (in excess of one mile in length) horizontal wells ("LLHWs"), short lateral (less than one mile in length) horizontal wells ("SLHWs"), vertical and directional wells may be drilled and produce from the Subject Formation on each such Drilling Unit so established;
- b) Giving the operator the discretion to determine the order in which wells are drilled, the formation targeted by each well, and the orientation of each well, where applicable;
- c) Giving the operator the flexibility to determine the orientation of the drilling units for the lands located in Township 2 South, Range 3 West, whether they be stand-up or lay-down 1280-acre drilling units, depending on the data revealed prior to drilling any LLHW or SLHW wells;
- d) Providing that no producing interval of an authorized LLHW or SLHW may be located closer than 330 feet to the north and south, and 560 feet to the east and west, boundaries of each stand-up Drilling Unit so established, and may not be located closer than 560 feet to the north and south, and 330 feet to the east and west boundaries of each lay-down Drilling Unit so established, and no closer than 330 feet laterally to another horizontal well drilled to the same stratigraphic interval within the same Drilling Unit, without obtaining an exception location approval in accordance with Utah Admin. Code Rule R649-3-3. With respect to stacked LLHWs and SLHWs (LLHWs and SLHWs drilled to different stratigraphic intervals) within the Drilling Unit, there shall be no lateral inter-well setback distance required provided the stacked horizontal laterals are located at least 100 feet or greater apart in vertical distance. Providing further that no producing interval of any future LLHW or SLHW may be located closer than 330 feet to the producing interval of any vertical or directional well, without obtaining an exception location approval in accordance with Utah Admin. Code Rule R649-3-3;
- e) Providing that no vertical or directionally-drilled well may have producing intervals closer than 660 feet from a Drilling Unit boundary, and no closer than 330 feet to another vertical or directionally drilled well drilled to the same stratigraphic interval within the same Drilling Unit, without obtaining an exception location approval in accordance with Utah Admin. Code Rule

R649-3-3. With respect to any vertical/directional wells drilled to different stratigraphic intervals within the Drilling Unit, there shall be no lateral inter-well setback distance required. Providing further that no producing interval of any future vertical or directional wells may be located closer than 330 feet to any LLHW or SLHW drilled to the same stratigraphic interval without obtaining an exception location approval in accordance with Utah Admin. Code Rule R649-3-3;

- f) Providing that the producing interval of any LLHW, SLHW, vertical or directional well may not be closer than 330 feet to producing intervals of any of the Existing Wells, without obtaining an exception location approval in accordance with Utah Admin. Code Rule R649-3-3;
- g) Providing that production from the Existing Wells and for any SLHW, vertical, or directional wells drilled and completed prior to a LLHW drilled and completed in a Drilling Unit, said Order should be of no force and effect. The Applicable Orders should be unchanged and continue in effect only for the Existing Wells and for any SLHW, vertical, or directional wells drilled and completed prior to a LLHW drilled and completed in a Drilling Unit, and further, the allocation of production for the Existing Wells and for any SLHW, vertical or directional wells drilled and completed prior to a LLHW drilled and completed in a Drilling Unit shall remain on a sectional 640-acre (or substantial equivalent) basis;
- h) Providing that the surface location of any authorized LLHW or SLHW may be located anywhere on the Drilling Unit, and may also be located off the Drilling Unit so established, provided (i) proper authorization for such a location has been obtained as required by law and the well will be cased and cemented to the 330-ft. setback as set forth in (d) above, both to be evidenced and satisfied by a self-certification to such effect executed by the Operator of said Drilling Unit and filed with the Division, and (ii) the other setbacks for the laterals set forth in (d) above are maintained;
- i) Providing that the surface location of any authorized directional well may be located anywhere on the Drilling Unit, and may also be located off the Drilling Unit so established, provided (i) proper authorization for such a location has been obtained as required by law and the well will be cased and cemented to the 660-ft. setback as set forth in (e) above, both to be

evidenced and satisfied by a self-certification to such effect executed by the Operator of said Drilling Unit and filed with the Division, and (ii) the other setbacks for the laterals set forth in (e) above are maintained;

- j) Providing that the surface location of any authorized vertical well may be located anywhere on the Drilling Unit, in Operator's discretion, provided, however, that no vertical well may have producing intervals closer than 660 feet from the Drilling Unit boundary, without an exception location approved in accordance with Utah Admin. Code Rule R649-3-3; and
- k) presuming this Request is granted, making said Order effective as of the date of filing, and the discrete Drilling Units established herein shall be effective as follows:
  - i. for purposes of drilling LLHWs, said Order should be effective immediately as to the Subject Lands and the Subject Formations and production from any LLHWs shall be allocated on a 1,280-acre (or substantial equivalent) basis;
  - ii. for all wells, whether LLHW, SLHW, vertical or directional, that are drilled subsequent to a LLHW drilled and completed in any of the herein-approved Drilling Units, said Order should be effective as of the first day of the month following the date of first production from the first LLHW drilled in the Drilling Unit and production from all such wells should be allocated on a 1,280-acre (or substantial equivalent) basis; and
  - iii. for the Existing Wells and for any SLHW, vertical, or directional wells drilled and completed prior to a LLHW drilled and completed in a Drilling Unit, said Order should be of no force and effect. The Applicable Orders should be unchanged and continue in effect only for the Existing Wells and for any SLHW, vertical, or directional wells drilled and completed prior to a LLHW drilled and completed in a Drilling Unit, and further, the allocation of production for the Existing Wells and for any SLHW, vertical or directional wells drilled and completed prior to a LLHW drilled and completed in a Drilling Unit should remain on a sectional 640-acre (or substantial equivalent) basis.

In support of this Request, Axia respectfully states and represents:

1. Axia is a Delaware limited liability company in good standing, with its principal place of business in Denver, Colorado. Axia is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal, Indian and State of Utah agencies.

2. The oil, gas and associated hydrocarbons underlying the Subject Lands are primarily owned in fee (privately), with some scattered State of Utah ownership (administered by both the Utah School and Institutional Trust Lands Administration ("TLA") and Division of Forestry, Fire and State Lands ("DFFSL")), as well as a relatively small amount of tribal and federal mineral ownership. Axia owns a majority or near majority of the working interest in most of the Subject Lands as relevant to the Subject Formations.

3. Pursuant to the 131-14 Order, the Board established sectional (640-acre or substantial equivalent) drilling units for the production of oil, gas and hydrocarbons from the Subject Lands as to Subject Formations, defined in said Order as follows:

that interval below the stratigraphic equivalent of 9,600 feet depth in the "E" Log of the Carter #2 Bluebell well located in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ , Section 3, Township 1 South, Range 2 West, U.S.M. (which equivalence is the depth 9,530 feet of the SP curve, Dual Induction Log, run March 15, 1968, in the Chevron #1 Blanchard Well located in the NW $\frac{1}{4}$ SE $\frac{1}{4}$  of said [Section 3]), to the base of the Green River-Wasatch formations.

Under the original 131-14 Order, only one well may produce on each such unit so established, which must be located no closer than 1,320 feet from the exterior boundary of any governmental section; provided, that an exception to said 1,320-foot limitation may be granted administratively without a hearing where a topographical exception is deemed necessary.

4. Pursuant to the 139-42 Order, the Board modified the 131-14 Order to allow up to two (2) producing wells on each sectional drilling unit, to be drilled at the option of the operator of the unit, provided that said operator could have a reasonable opportunity to recover costs of drilling, completing, producing and operating a well plus a reasonable profit. Any additional wells must be located at least 1,320 feet from an existing well in the unit, not closer than 660 feet from the exterior boundary of the unit and may not be drilled in the same quarter section as the first well without administrative approval.

5. Pursuant to the 139-90 Order, the Board modified the 131-14 and 139-42 Orders by additionally authorizing up to four (4) producing wells, whether all vertical, all (short lateral) horizontal, or a combination of both, upon the drilling units, to be drilled at the option of the operator and with the operator's full discretion as to the development of the hydrocarbon reserves, provided each well shall not be closer than 1,320 feet from an existing unit well completed in and producing from the formation and no closer than 660

feet from the drilling unit boundary. The Board also expressly eliminated any first well siting requirements.

6. There are only two producing wells located on the Subject Lands. Pursuant to the Applicable Orders, Axia's predecessors in title (Enerplus Resources (USA) Corporation and Bill Barrett Corporation) drilled the following vertical oil wells (the "Existing Wells") upon the following portions of the Subject Lands and which currently produce from the Subject Formations:

<u>Well</u>	<u>Location</u>	<u>Date of First Production</u>
Killian 34-12	T2S, R2W Sec. 34: NW $\frac{1}{4}$ SW $\frac{1}{4}$	2/24/09
SA 16-25-23	T2S, R3W Sec. 25: SE $\frac{1}{4}$ SE $\frac{1}{4}$	7/3/12

Axia currently operates the Existing Wells.

7. In addition, Axia and Newfield are the permittees of the following applications for permit to drill ("APD's"), which have been approved by the Division but which have not yet been spud:

<u>Well</u>	<u>Twn.-Range</u>	<u>Location</u>	<u>APD Approval Date</u>
Ute Tribal 1-1-3-2WH (Newfield)	2S-2W	Sec. 36: SE $\frac{1}{4}$ SE $\frac{1}{4}$	3/1/13
SA 14-26D-22 (Axia)	2S-2W	Sec. 26: SE $\frac{1}{4}$ SW $\frac{1}{4}$	12/3/13



10-32-22 SA (Axia)	2S-2W	Sec. 32: NW $\frac{1}{4}$ SE $\frac{1}{4}$	12/22/15
SA 5-32D-22 (Axia)	2S-2W	Sec. 32: SW $\frac{1}{4}$ NW $\frac{1}{4}$	11/25/13
SA 7-33-22 (Axia)	2S-2W	Sec. 33: SW $\frac{1}{4}$ NE $\frac{1}{4}$	11/25/13
SA 16-27D-23 (Axia)	2S-3W	Sec. 27: SE $\frac{1}{4}$ SE $\frac{1}{4}$	12/3/13

All five of Axia's APDs are for vertical or directionally drilled wells relating to the Subject Formations. Presuming this Amended Request is granted, Axia intends to withdraw or modify these APD's as necessary to conform to its new drilling plans.

8. The Board has previously found that the Subject Formations have at least three, and possibly up to six, potentially productive members attractive for horizontal development. See the Board's Orders entered in Cause Nos. 139-134 (Newfield Central Basin), 131-141 (Crescent Point Randlett) and most recently, Cause No. 139-138 (Axia). The Board has also found that the Subject Formations constitute a "common source of supply" of oil, gas and associated hydrocarbons in and around the area of the Subject Lands. *Id.* Moving north from Newfield's Central Basin area into Axia's development area, depth to prospective horizontal targets is deeper bringing into consideration Green River intervals above Newfield's Bar F zone (shallowest) such that, three additional zones are deemed to be prospective. All potential horizontal

targets have been productive vertically with marginally to sub-economic results due to limited permeability and natural fracture intensity such that long lateral horizontal drilling and multiple stage fracture stimulation is necessary to provide economic recovery of the in-place resource. This has been demonstrated by the horizontal success of Newfield's Central Basin area. Furthermore, potential target intervals for horizontal development can be correlated in continuity across the proposed development area. Axia believes and therefore alleges that there may be up to nine (9) potentially productive members attractive for horizontal development.

9. Based on Axia's experience with vertical wells in the Three Rivers area of the Basin, and information gained from the drilling and production of the same, and, in particular, on Newfield's horizontal development of the Central Basin area which is contiguous to the Subject Lands as represented to the Board, Axia believes and therefore alleges that the Subject Formation underlying the Subject Lands should be developed primarily through use of LLHWs for the best economic return and maximization of resource recovery, but may require a combination of LLHWs, SLHWs, vertical and directional wells.

10. Horizontal well performance and recovery is dependent on optimizing hydrologic fracture stimulation area. This is determined by initiating stimulation at or near 90 degrees to the maximum horizontal stress direction. Limited data available

within the Subject Lands suggest that the maximum horizontal stress direction rotates from ~N 70 degrees west on the eastern side of the Subject Lands (the lands located in Township 2 South, Range 2 West), to ~N 20 degrees west on the western side (the lands located in Township 2 South, Range 3 West). This rotation would require a change in horizontal well orientation from north-south on the east (T2S, R2W), to east-west on the west side (T2S, R3W), to optimize well performance and recovery. Given the possibility of this change occurring in Township 2 South, Range 3 West, Axia requests the flexibility to have either stand-up 1280-acre or lay-down 1280-acre drilling units in the lands located in Township 2 South, Range 3 West in the event data reveals the need to change horizontal well orientation to east-west in that area.

11. Consistent and uniform stand-up 1280-acre (or substantial equivalent) drilling units for the lands located in Township 2 South, Range 2 West, and stand-up or lay-down 1280-acre drilling units for the lands located in Township 2 South, Range 3 West (to be determined based on the relevant data), will dramatically facilitate flexibility and planning of multi-well pads, production facilities and infrastructure (pipeline) corridors, which improve economics and reduce surface disturbance, infrastructure duplication and traffic, thereby preventing waste.

12. Axia believes and therefore alleges that up to 32 wells, which may be any combination of LLHW, SLHW, vertical, and directionally drilled wells, for each 1,280-

acre drilling unit may be necessary to allow flexibility in filling in potential gaps and maximizing resource recovery from all productive intervals of the Subject Formations.

13. Furthermore, as it relates to LLHWs or SLHWs, reducing setbacks from the existing 660-ft. to 330-foot north and south drilling unit boundary setbacks and 560-foot east and west drilling unit boundary setbacks, and 330-foot lateral and 100-foot vertical setbacks from other horizontal wells should result in efficient but limited communication between wells and allow greater flexibility in locating wells to maximize resource recovery, while still protecting correlative rights. If based on the relevant data the horizontal well orientation needs to change to east-west within Township 2 South, Range 3 West, then setbacks to the north and south drilling unit boundaries should be 560-feet and 330-feet to the east and west drilling unit boundaries for those lay-down drilling units.

14. Axia requests that the surface location of any authorized LLHW or SLHW have the option of being located anywhere on the Drilling Unit or off the Drilling Unit so established, provided (i) proper authorization for such a location has been obtained as required by law and the well will be cased and cemented to the 330-ft. setback as set forth in Paragraph No. 13 above, both to be evidenced and satisfied by a self-certification to such effect executed by the Operator of said Drilling Unit and filed with the Division, and (ii) the other setbacks for the laterals set forth in Paragraph No.

13 above are maintained. Doing so would allow for greater recovery of resources where surface conditions limit available drilling locations while still protecting correlative rights.

15. As to vertical and directional wells, Axia believes and therefore alleges that none should have producing intervals closer than 660 feet from a Drilling Unit boundary, and no closer than 330 feet to another vertical or directionally-drilled well drilled to the same stratigraphic interval within the same Drilling Unit, without obtaining an exception location approval in accordance with Utah Admin. Code Rule R649-3-3. With respect to any vertical/directional wells drilled to different stratigraphic intervals within the Drilling Unit, there should be no lateral inter-well setback distance required. Axia believes and therefore alleges that doing so will prevent waste, protect correlative rights and maximize resource recovery.

16. Axia requests that the surface location of any authorized directional well have the option of being located anywhere on the Drilling Unit or off the Drilling Unit so established, provided (i) proper authorization for such a location has been obtained as required by law and the well will be cased and cemented to the 660-ft. setback as set forth in Paragraph No. 15 above, both to be evidenced and satisfied by a self-certification to such effect executed by the Operator of said Drilling Unit and filed with the Division, and (ii) the other setbacks for the laterals set forth in Paragraph No. 15

above are maintained. Doing so would allow for greater recovery of resources where surface conditions limit available drilling locations while still protecting correlative rights.

17. Axia believes and therefore alleges that a 330-ft. setback from the producing intervals of the Existing Wells (described in Paragraph 6 above) will prevent communication. Consequently, to avoid disturbing existing contractual arrangements and revenue distribution, Axia requests those wells remain subject to the Applicable Orders and production allocation for them remain on a sectional (640-acre) drilling unit basis. Axia also believes that the 330-ft. setback should apply to any future vertical or directional wells in that they should not have producing intervals closer than 330 feet to any LLHW or SLHW drilled to the same stratigraphic interval, and equally, that the producing interval of any future LLHW or SLHW should not be closer than 330 feet to the producing interval of any vertical or directional well, without obtaining an exception location approval in accordance with Utah Admin. Code Rule R649-3-3, in order to prevent communication and waste.

18. Furthermore, all SLHW, vertical or directional wells drilled and completed prior to a LLHW being drilled and completed in a Drilling Unit should continue to be subject to the 131-14, 131-42, and 139-90 Orders as they existed prior to the entry of an order granting this Request. Specifically, the Existing Wells and any SLHW, vertical

or directional wells drilled and completed prior to a LLHW drilled and completed in a Drilling Unit should remain spaced on 640-acre (or substantial equivalent) drilling units, and the allocation of production for the Existing Wells and for any SLHW, vertical or directional wells drilled and completed prior to a LLHW drilled and completed in a Drilling Unit should remain on a sectional 640-acre (or substantial equivalent) basis.

19. However, when the first LLHW has been drilled and begins to produce, and to protect correlative rights, production from any new wells within such Drilling Unit where that first LLHW has been drilled, whether LLHWs, SLHWs, vertical or directionally drilled wells, should, upon the date of first production from said initial LLHW, be allocated on a 1,280-acre drilling unit basis.

20. Axia believes and therefore alleges that granting its Request will be in furtherance of the public policies of this State to promote greater recovery of oil, gas and hydrocarbons from the Subject Formations without waste and with protection of the correlative rights of all affected owners, constitutes orderly and consistent development of the Subject Lands, and is just and reasonable.

21. Axia will, in accordance with Board rules, timely submit exhibits and present testimony in support of these allegations.

22. Axia will separately file a certificate of mailing listing all parties known to it, based on a search of the TLA, DFFSL, BLM and Duchesne County realty records, and the records of the Division, whose “legally protected interests” will be affected by this Request. There are no respondents or adverse parties known at this time to Axia.

**WHEREFORE**, Axia respectfully requests:

1. That this matter be set for hearing on September 28, 2016 in Salt Lake City;
2. That notice of such hearing be given as provided by law; and
3. That, upon sufficient evidence produced and testimony given at the hearing,

the Board issue an order:

- a) modifying the 131-14, 139-42 and 139-90 Orders insofar as they pertain to the Subject Lands to provide as follows;
- b) establishing ten (10), 1,280-acre (or substantial equivalent) drilling units for the production of oil, gas and hydrocarbons from the Subject Formations, comprised, respectively, as follows:

Township 2 South, Range 2 West, USM

Sections 25 and 36  
Sections 26 and 35  
Sections 27 and 34  
Sections 28 and 33  
Sections 29 and 32  
Sections 30 and 31

Township 2 South, Range 3 West, USM

Sections 25 and 36  
Sections 26 and 35



Sections 27 and 34  
Sections 28 and 33  
or  
Sections 25 and 26  
Sections 27 and 28  
Sections 33 and 34  
Sections 35 and 36

- c) authorizing up to 32 wells per drilling unit, which may be any combination of long lateral (in excess of one mile in length) horizontal wells ("LLHWs"), short lateral (less than one mile in length) horizontal wells ("SLHWs"), vertical and directional wells to be drilled and produce from the Subject Formation on each such Drilling Unit so established;
- d) giving the operator the discretion to determine the order in which wells are drilled, the formation targeted by each well, and the orientation of each well, where applicable;
- e) Giving the operator the flexibility to determine the orientation of the drilling units for the lands located in Township 2 South, Range 3 West, whether they be stand-up or lay-down 1280-acre drilling units, depending on the data revealed prior to drilling any LLHW or SLHW wells;
- f) providing that no producing interval of an authorized LLHW or SLHW may be located closer than 330 feet to the north and south, and 560 feet to the east and west, boundaries of each stand-up Drilling Unit so established, and may not be located closer than 560 feet to the north and south, and 330 feet to the east and west boundaries of each lay-down Drilling Unit so established, and no closer than 330 feet laterally to another horizontal well drilled to the same stratigraphic interval within the same Drilling Unit, without obtaining an exception location approval in accordance with Utah Admin. Code Rule R649-3-3. With respect to stacked LLHWs and SLHWs (LLHWs and SLHWs drilled to different stratigraphic intervals) within the Drilling Unit, there shall be no lateral inter-well setback distance required provided the stacked horizontal laterals are located at least 100 feet or greater apart in vertical distance. Providing further that no producing interval of any future LLHW or SLHW may be located closer than 330 feet to the producing interval of any vertical or directional well, without

obtaining an exception location approval in accordance with Utah Admin. Code Rule R649-3-3;

- g) providing that no vertical or directionally-drilled well may have producing intervals closer than 660 feet from a Drilling Unit boundary, and no closer than 330 feet to another vertical or directionally-drilled well drilled to the same stratigraphic interval within the same Drilling Unit, without obtaining an exception location approval in accordance with Utah Admin. Code Rule R649-3-3. With respect to any vertical/directional wells drilled to different stratigraphic intervals within the Drilling Unit, there shall be no lateral inter-well setback distance required. Providing further that no producing interval of any future vertical or directional wells may be located closer than 330 feet to any LLHW or SLHW drilled to the same stratigraphic interval without obtaining an exception location approval in accordance with Utah Admin. Code Rule R649-3-3;
- h) providing that the producing interval of any LLHW, SLHW, vertical or directional well may not be closer than 330 feet to producing intervals of any of the Existing Wells, without obtaining an exception location approval in accordance with Utah Admin. Code Rule R649-3-3;
- i) providing that production from the Existing Wells and for any SLHW, vertical, or directional wells drilled and completed prior to a LLHW drilled and completed in a Drilling Unit, said Order should be of no force and effect. The Applicable Orders should be unchanged and continue in effect only for the Existing Wells and for any SLHW, vertical, or directional wells drilled and completed prior to a LLHW drilled and completed in a Drilling Unit, and further, the allocation of production for the Existing Wells and for any SLHW, vertical or directional wells drilled and completed prior to a LLHW drilled and completed in a Drilling Unit shall remain on a sectional 640-acre (or substantial equivalent) basis;
- j) providing that the surface location of any authorized LLHW or SLHW may be located anywhere on the Drilling Unit, and may also be located off the Drilling Unit so established, provided (i) proper authorization for such a location has been obtained as required by law and the well will be cased and cemented to the 330-ft. setback as set forth in (f) above, both to be evidenced and satisfied by a self-certification to such effect executed by the

Operator of said Drilling Unit and filed with the Division, and (ii) the other setbacks for the laterals set forth in (f) above are maintained;

- k) providing that the surface location of any authorized directional well may be located anywhere on the Drilling Unit, and may also be located off the Drilling Unit so established, provided (i) proper authorization for such a location has been obtained as required by law and the well will be cased and cemented to the 660-ft. setback as set forth in (g) above, both to be evidenced and satisfied by a self-certification to such effect executed by the Operator of said Drilling Unit and filed with the Division, and (ii) the other setbacks for the laterals set forth in (g) above are maintained;
- l) providing that the surface location of any authorized vertical well may be located anywhere on the Drilling Unit, in Operator's discretion, provided, however, that no vertical well may have producing intervals closer than 660 feet from the Drilling Unit boundary, without an exception location approved in accordance with Utah Admin. Code Rule R649-3-3; and
- m) presuming this Request is granted, making said Order effective as of the date of filing, and the discrete Drilling Units established herein shall be effective as follows:
  - i. for purposes of drilling LLHWs, said Order should be effective immediately as to the Subject Lands and the Subject Formations and production from any LLHWs shall be allocated on a 1,280-acre (or substantial equivalent) basis;
  - ii. for all wells, whether LLHW, SLHW, vertical or directional, that are drilled subsequent to a LLHW drilled and completed in any of the herein-approved Drilling Units, said Order should be effective as of the first day of the month following the date of first production from the first LLHW drilled in the Drilling Unit and production from all such wells should be allocated on a 1,280-acre (or substantial equivalent) basis; and
  - iii. for the Existing Wells and for any SLHW, vertical, or directional wells drilled and completed prior to a LLHW drilled and completed in a Drilling Unit, said Order should be of no force and effect. The

Applicable Orders should be unchanged and continue in effect only for the Existing Wells and for any SLHW, vertical, or directional wells drilled and completed prior to a LLHW drilled and completed in a Drilling Unit, and further, the allocation of production for the Existing Wells and for any SLHW, vertical or directional wells drilled and completed prior to a LLHW drilled and completed in a Drilling Unit should remain on a sectional 640-acre (or substantial equivalent) basis.

- n) making such findings and orders in connection with this Request as it deems necessary; and
- o) providing for such other and further relief as may be just and equitable under the circumstances.

Respectfully submitted this 16<sup>th</sup> day of August, 2016.

**BEATTY & WOZNIAK, P.C.**

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